

**A Comparative Analysis of the Financial Performance of HDFC Bank and
ICICI Bank**

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Abstract

ICICI Bank and HDFC Bank are leading private sector banks in India. The present study does comparative analysis of the financial performance of HDFC and ICICI Bank.

Keywords: *ICICI Bank, HDFC Bank, Financial Performance*

Introduction

In today's dynamic world banks are inevitable for the development of a country. Banks play a pivotal role in enhancing each and every sector. They have helped bring a draw of development on the world's horizon and developing country like India is no exception.

Banks fulfill the role of a financial intermediary.

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalization of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995. HDFC is India's premier housing finance company and enjoys an impeccable track record in India as well as in international markets. Since its inception in 1977, the Corporation has maintained a consistent and healthy growth in its operations to remain the market leader in mortgages. Its outstanding loan portfolio covers well over a million dwelling units. HDFC has developed significant expertise in retail mortgage loans to different market segments and also has a large corporate client base for its housing related credit facilities. With its experience in the financial markets, a strong market reputation, large shareholder base and unique consumer franchise, HDFC was ideally positioned to promote a bank in the Indian environment.

ICICI Bank, stands for Industrial Credit and Investment Corporation of India, it is an Indian multinational banking and financial services company headquartered in Mumbai, Maharashtra, India, with its registered office in Vadodara. In 2017, it is the third largest bank in India in terms of assets and fourth in term of market capitalisation. It offers a wide range of banking products and financial services for corporate and retail customers through a variety of delivery channels and specialised subsidiaries in the areas of investment banking, life, non-life insurance, venture capital and asset management. The bank has a vast network of 4,850 branches and 14,404 ATMs in India, and has a presence in 19 countries including India.

Objective of the Study

The following are the main objectives of study:

1. To analyze the financial performance of HDFC Bank.
2. To analyze the financial performance of ICICI Bank.
3. To compare HDFC Bank and ICICI Bank on the basis of their financial performance.
4. The study will be conducted with reference to the data related to HDFC and ICICI Bank. These banks have been studied with the belief that they hold the largest market share of banking business in India, in their respective sectors.

Tools for Data Collection

The study is purely based on secondary data. The data required for the study will be collected from annual reports of respective banks, journals and reports on trends, newspapers, magazines, and progress of Banking of India, government publications, books and website.

Tools for Data Analysis

Different scales will be used for data analysis. Ratio Analysis was applied to analyse and compare the trends in banking business and financial performance. Mean and Compound Growth Rate (CGR) have also been deployed to analyse the trends in banking business profitability and bar charts are used to know financial performance and business model of HDFC and ICICI Bank.

Data Analysis and Interpretation

For the purpose of analysis following parameters have been studied

1. Credit Deposit Ratio
2. Interest Expended to Interest Earned
3. Net Profit Margin
4. Return on Equity
5. Percentage Change in Net Profits
6. Percentage Change in Total Income
7. Percentage Change in Total Expenditure
8. Percentage Change in Deposits
9. Percentage Change in Advances

Credit Deposit Ratio

Credit-Deposit Ratio is the proportion of loan-assets created by a bank from the deposits received. Credits are the loans and advances granted by the bank. In other words it is the amount lent by the bank to a person or an organization which is recovered later on. Interest is charged from the borrower. Deposit is the amount accepted by bank from the savers and interest is paid to them.

Table 1: Credit Deposit Ratio

(In Percentage)

YEAR	HDFC	ICICI
2012-13	80.14	99.25
2013-14	81.79	100.71
2014-15	81.71	104.72
2015-16	83.24	105.08
2016-17	85.64	98.69
MEAN	82.50	101.69
CGR (Compound Growth Rate)	6.86	-0.56

Source: www.moneycontrol.com and Annual Reports of HDFC and ICICI Bank from 2012-13 to 2016-17

Figure1: Credit Deposit Ratio

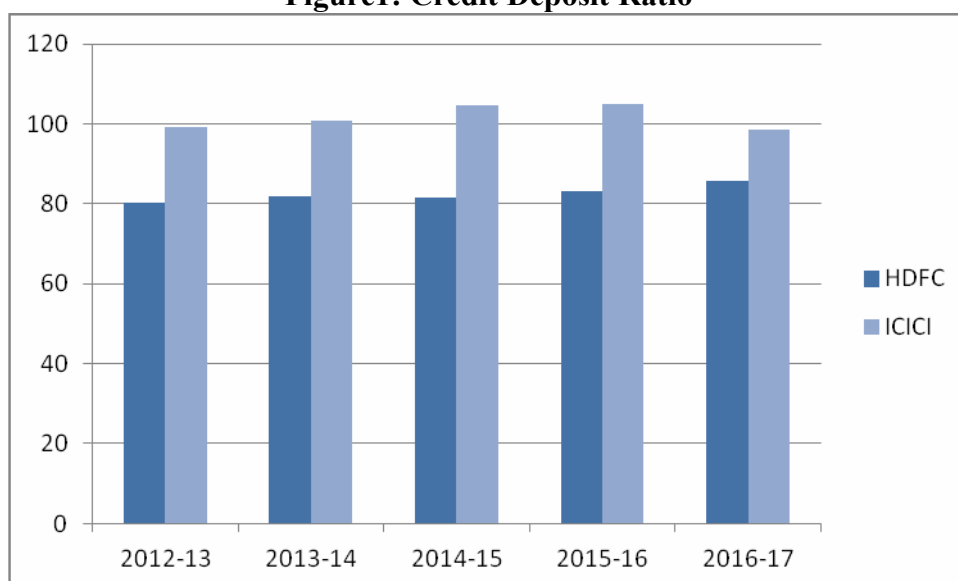


Table 1 depicts that over the course of five financial periods of study the mean of Credit Deposit Ratio in ICICI was higher (101.69%) than in HDFC (82.50%). The Compound Growth Rate in ICICI lowers (- 0.56%) than in HDFC (6.86%). In case of HDFC the credit deposit ratio was highest (85.64%) in 2016-17 and lowest (80.14%) in 2012-13. But in case of ICICI credit deposit ratio was highest (105.08%) in 2015-16 and lowest (98.69%) in 2016-17. The compound growth rate is 6.86% for HDFC Bank and -0.56% for ICICI Bank. This shows that HDFC Bank has increased its loan assets from its deposits at a faster growth rate as compared to ICICI Bank. However, ICICI Bank has larger loans assets from its deposits compared to HDFC Bank.

Interest Expended To Interest Earned

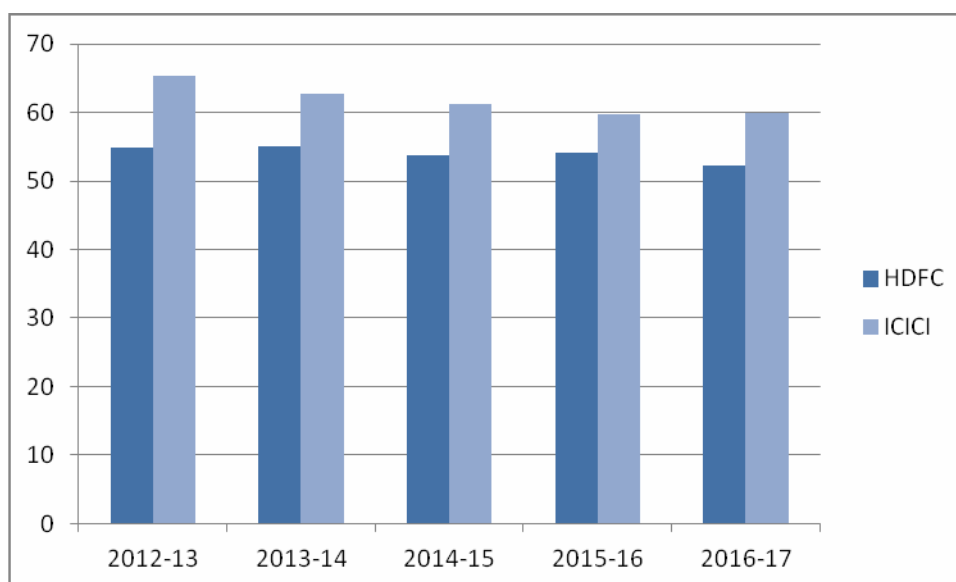
Banks accept deposits from savers and pay interest on these accounts. This payment of interest is known as interest expenses. Banks also loan the deposits to borrowing customers and charge interest on these loans. This receipt of interest is known as interest income. Interest Expended to Interest Earned reveals the percentage of expenses incurred on interest in relation to interest earned.

Table 2: Interest Expended To Interest Earned (In Percentage)

YEAR	HDFC	ICICI
2012-13	54.91	65.40
2013-14	55.07	62.71
2014-15	53.79	61.22
2015-16	54.18	59.76
2016-17	52.18	59.86
MEAN	54.03	61.79
CGR	-4.97	-8.47

Source: www.moneycontrol.com and Annual Reports of HDFC and ICICI Bank from 2012-13 to 2016-17

Figure 2: Interest Expended To Interest Earned



The table 2 shows that the ratio of interest expended to interest earned in HDFC Bank has varied frequently for the 5 years under study in a decreasing order from 54.91% in 2012-13 to 52.18% IN 2016-17. The highest (55.07%) was in 2013-14 and the lowest (52.18%) was in 2016-17. The ratio of interest expended to interest earned in ICICI Bank has decreased from 2012-13 (65.40%) to 2016-17 (59.86%) in a declining order. The highest was in 2012-13 (65.40%) and the lowest was in 2015-16 (59.76%). The average of interest expended over interest earned for HDFC Bank was 54.03% and the mean value for ICICI Bank was 61.79%. The compound growth rate of HDFC Bank was -4.97% and of ICICI Bank was -8.47%. This shows that the share of interest expended to interest earned was higher in the case of ICICI Bank as compared to HDFC Bank, which shows that people prefer to invest their savings and take loans and advances from HDFC Bank than ICICI Bank

Net Profit Margin

Net profit margin is the percentage of revenue left after all expenses have been deducted from sales. The measurement reveals the amount of profit that a business can extract from its total sales. The net sales part of the equation is gross sales minus all sales deductions,

such as sales

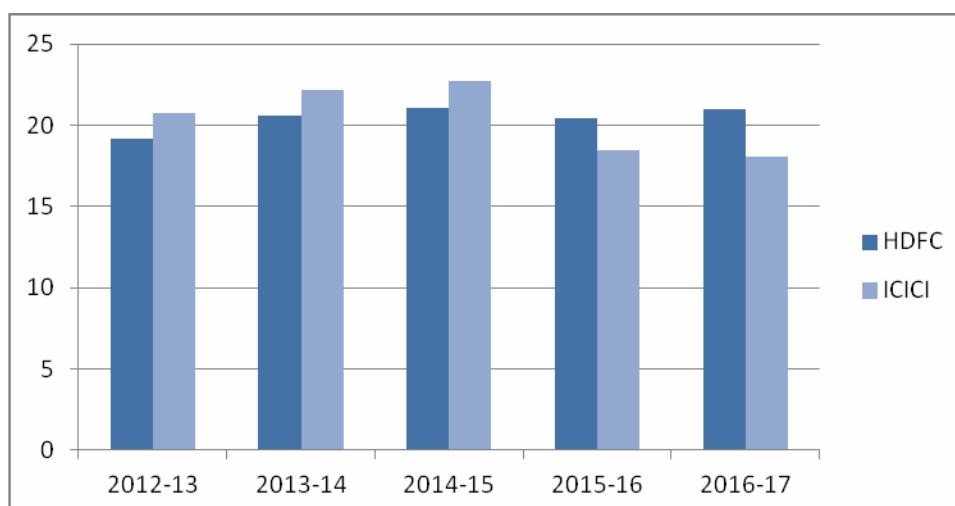
allowances. Net Profit Margin reveals the financial results of the business activity and efficiency of management in operations. The table 1.3 shows the net profit margin in HDFC Bank and ICICI Bank during the Period 2012-13 to 2016-17.

Table 3: Net Profit Margin (In Percentage)

YEAR	HDFC	ICICI
2012-13	19.18	20.77
2013-14	20.61	22.2
2014-15	21.07	22.76
2015-16	20.41	18.44
2016-17	20.99	18.09
MEAN	20.45	20.45
CGR	9.44	-12.90

Source: www.moneycontrol.com and Annual Reports of HDFC and ICICI Bank from 2012-13 to 2016-17

Figure 3: Net Profit Margin



The table 3 reveals that the ratio of net profit margin of HDFC Bank has increased slowly over the 5 year period (2012-13 to 2016-17) from 19.18% to 20.99%. It can be seen from the table that the net profit margin was highest (21.07%) in 2014-15 and lowest (19.18%) in 2012-13. In case of ICICI Bank, the net profit margin has varied in an increasing and then decreasing pattern over the 5 year period (2012-13 to 2016-17) from 20.77% to 18.09%. The increasing pattern can be seen from 2012-13 up to 2014-15 from 20.77% to 22.76% and the declining pattern can be seen from 2014-15 up to 2016-17 from 22.76% to 18.09%. The net profit margin was highest (22.76%) in 2014-15 and lowest (18.09%) in 2016-17. The average net profit margin of HDFC Bank was 20.45% which is the same for ICICI Bank. Thus, HDFC Bank and ICICI Bank have shown comparatively similarity operational efficiency. However, HDFC Bank seems to be doing better as its compound growth rate is 9.44% and that of ICICI Bank is -12.90%.

Return on Equity

Return on equity (ROE) is the amount of net income returned as a percentage of shareholders equity.

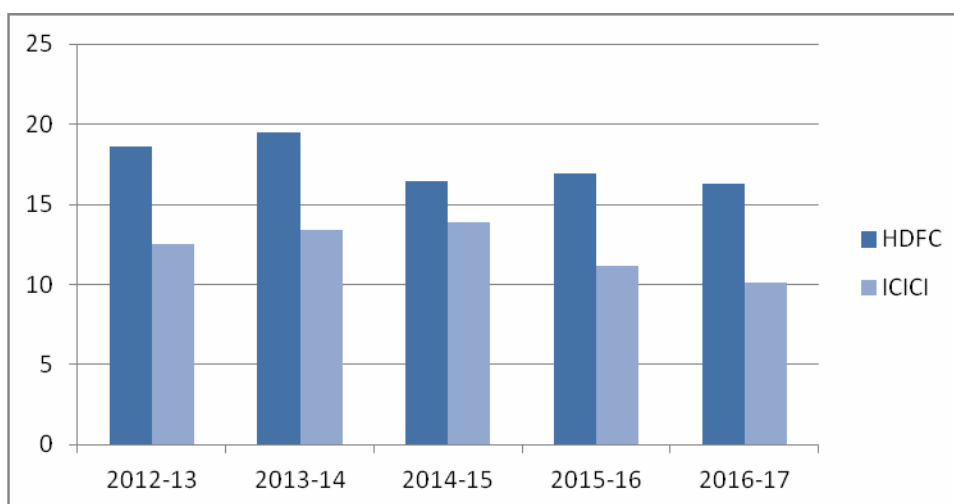
Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Table 4 Return on Equity (In Percent)

YEAR	HDFC	ICICI
2012-13	18.57	12.48
2013-14	19.50	13.40
2014-15	16.47	13.89
2015-16	16.91	11.19
2016-17	16.26	10.11
MEAN	17.54	12.21
CGR	-12.44	-18.99

Source: www.moneycontrol.com and Annual Reports of HDFC and ICICI Bank from 2012-13 to 2016-17

Figure 4: Return on Equity



The table 4 reveals that the ratio of return on equity of HDFC Bank has decreased in a varying order over the 5 year period (2012-13 to 2016-17) from 18.57% to 16.26%. It can be seen that the return on equity in the year 2013-14 has increased to 19.50% (a 5% increase). In the year 2014-15 it decreased to 16.47% (a 15.5% decrease). In the year 2015-16 it increased to 16.91% (a 2.7% increase). In the year 2016-17 it decreased to 16.26% (a -3.8% decrease). In case of ICICI Bank, the return on equity has also decreased in a varying order in the 5 year period (2012-13 to 2016-17) from 12.48% to 10.11%. It can be seen that the return on equity in the year 2012-13 to 2014-15 it has increased to 13.89% (a 11.30% increase). From the year 2014-15 to 2016-17 it decreased to 10.11% (a 27.21% decrease). The average return on equity of HDFC Bank is higher at 17.54% than ICICI Bank which is 12.21%. The compound growth rate of HDFC Bank is higher at -12.44% than ICICI Bank which is -18.99%. Thus, HDFC Bank has utilised its resources more efficiently as compared to ICICI Bank

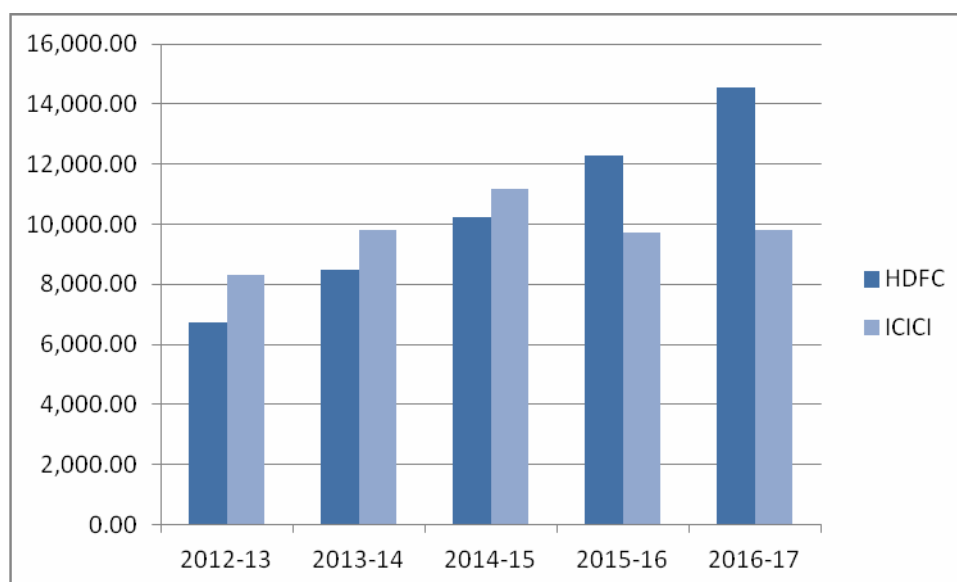
Percentage Change in Net Profits

Net Profit reveals the remaining profit after all costs of production, administration, and financing have been deducted from sales, and income taxes recognized. It is calculated by dividing net profit by net sales multiplied by 100. It establishes the relationship between the net profit and sales.

Table 5: Percentage Change in Net Profits (In Crores)

YEAR	HDFC		ICICI	
	PROFIT	% CHANGE	PROFIT	% CHANGE
2012-13	6,726		8,325	
2013-14	8,478	26.05	9,810	17.84
2014-15	10,216	20.49	11,175	13.91
2015-16	12,296	20.36	9,726	-12.97
2016-17	14,550	18.33	9,801	0.77
MEAN	10,453		9,768	
CGR	116.31		17.72	

Figure 5: Net Profits



The table 5 highlights that the mean value of net profit was higher in HDFC Bank (Rs. 10,453 crores) as compared to that in ICICI Bank (Rs. 9,801 crores) during the 5 year period (2012-13 to 2016-17). From the table above we can also see that there has been a huge increase in the profits of HDFC Bank as compared to ICICI Bank. The compound growth rate HDFC Bank is 116.31% and of ICICI Bank is 17.72% over the 5 year period in study.

This shows that HDFC Bank has performed better when compared to ICICI Bank in terms of profitability over the 5 years of study.

Percentage Change in Total Income

Total income is the sum of all money received by an organisation, including income interest on

loans and other financial services provided by the bank, revenue from sales, income from dividends, or other sources. Percentage change in total income aims to identify the growth pattern of the total income of the organization

Table-6 Percentage Change in Total Income (In Crores)

YEAR	HDFC		ICICI	
	INCOME	% CHANGE	INCOME	% CHANGE
2012-13	41,917		48,421	
2013-14	49,055	17.03	54,606	12.77
2014-15	57,466	17.15	61,267	12.20
2015-16	70,973	23.50	68,062	11.09
2016-17	81,602	14.98	73,661	8.23
MEAN	60,203		61,204	
CGR	94.67		52.12	

Figure 6: Total Income of HDFC and ICICI Bank

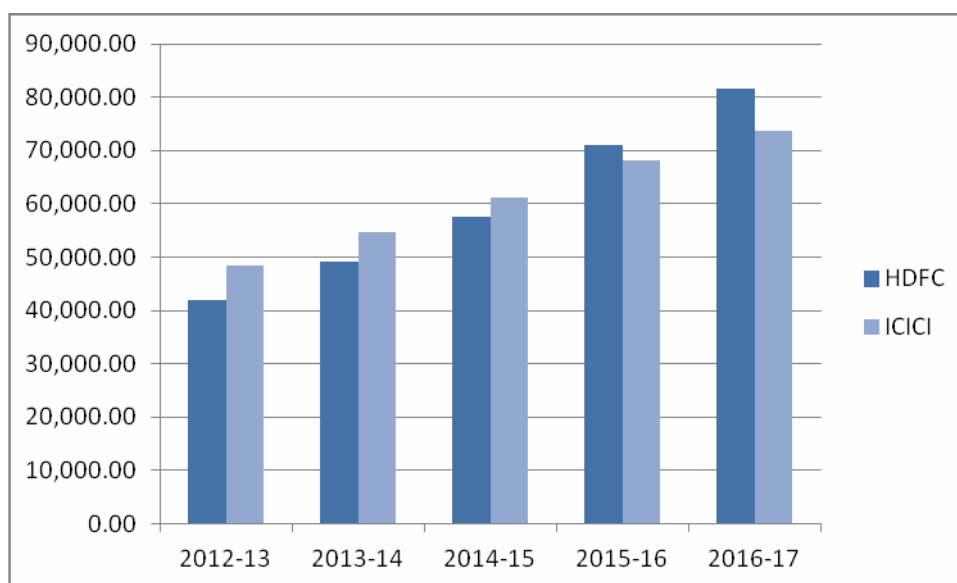


Table 6 highlights that the mean value of total income was higher in ICICI Bank (Rs. 61,204 crores) as compared to that of HDFC Bank (Rs. 60,203 crores) during the 5 year period (2012-13 to 2016-17). However, the compound growth rate regarding total income was higher in HDFC Bank (94.67 %) than ICICI Bank (52.12%) during the period of study. This shows that the average income over the 5 years of HDFC Bank is less by Rs. 1,001 crores than ICICI Bank. However, the compound growth rate of HDFC Bank shows that its total income has grown by 94.67% which is 81.63% higher than ICICI Bank's 52.12%. This means that even though ICICI Bank's total income is more, HDFC Bank's growth in income has been rapid, and has exceeded that of ICICI Bank's by Rs. 2,911 crores in the year 2015-16 and Rs. 7,941 crores in 2016-17.

Percentage Change in Total Expenditure

Total expenditure is the sum of all money expensed by an organisation, including

payment of interest on savings and other deposits and other services purchased by the bank.

Percentage change in total expenditure aims to identify the growth pattern of the total expenditure of the organisation. The total expenditure reveals the proportionate share of total expenditure spent on the development of staff, interest expended and other overheads.

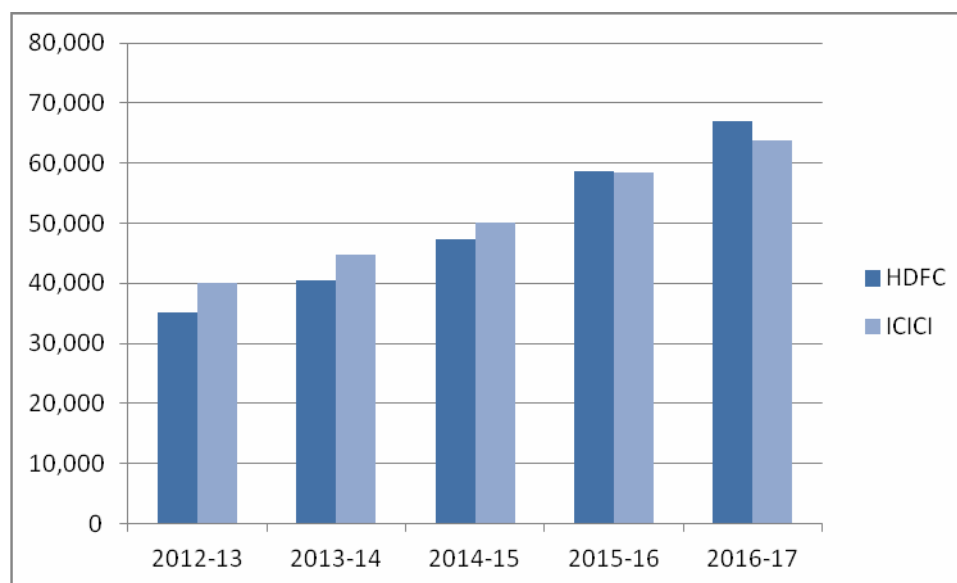
Table 7: Percentage Change in Total Expenditure

(In Crores)

YEAR	HDFC		ICICI	
	EXPENDITURE	% CHANGE	EXPENDITURE	% CHANGE
2012-13	35,191		40,096	
2013-14	40,577	15.30	44,796	11.72
2014-15	47,250	16.45	50,092	11.82
2015-16	58,677	24.18	58,336	16.46
2016-17	67,053	14.27	63,860	9.47
MEAN	49,750		51,436	
CGR	90.54		59.27	

Source: www.moneycontrol.com and Annual Reports of HDFC and ICICI Bank from 2012-13 to 2016-17

Figure 7: Total Expenditure of HDFC and ICICI Bank



The table 7 discloses that the mean value of total expenditure is higher in ICICI Bank (Rs. 51,436 crores) as compared to that in HDFC Bank (Rs. 49,750 crore) during the 5 year period (2012-13 to 2016-17). The compound growth rate regarding expenditure in HDFC Bank is 90.54% and ICICI Bank is 59.27% during the same period. It is clear that HDFC Bank is successful in decreasing their total expenditure as compared to ICICI Bank. However, the compound growth rate regarding total expenditure was higher in HDFC Bank (90.54%) than ICICI Bank (59.27%) during the period of study. This shows that the average expenditure over the 5 years of HDFC Bank is less by Rs. 1,686 crores than ICICI Bank. However, the compound growth rate of HDFC Bank shows that its total expenditure has grown by 90.54%

which is 52.76% higher than ICICI Bank's 59.27%.

This means that even though ICICI Bank's total expenditure is more, HDFC Bank's growth in expenditure has been rapid, and has exceeded that of ICICI Bank's by Rs. 341 crores in the year 2015-16 and Rs. 3,193 crores in 2016-17.

Percentage Change in Deposits

Bank deposits consist of money placed into banking institutions for safekeeping. These deposits are made to deposit accounts such as savings accounts, current account, fixed deposits, recurring deposits, etc. Percentage change in deposits aims to identify the growth pattern of the deposits of the organisation.

Table 8: Percentage Change in Deposits (In Crores)

YEAR	HDFC		ICICI	
	DEPOSITS	% CHANGE	DEPOSITS	% CHANGE
2012-13	2,96,247		2,92,614	
2013-14	3,67,337	24.00	3,31,914	13.43
2014-15	4,50,796	22.72	3,61,563	8.93
2015-16	5,46,424	21.21	4,21,426	16.56
2016-17	6,43,640	17.79	4,90,039	16.28
MEAN	4,60,889		3,79,511	
CGR	117.26		67.47	

Source: www.moneycontrol.com and Annual Reports of HDFC and ICICI from 2012-13 to 2016-17

Figure 8: Total Deposits of HDFC and ICICI Bank

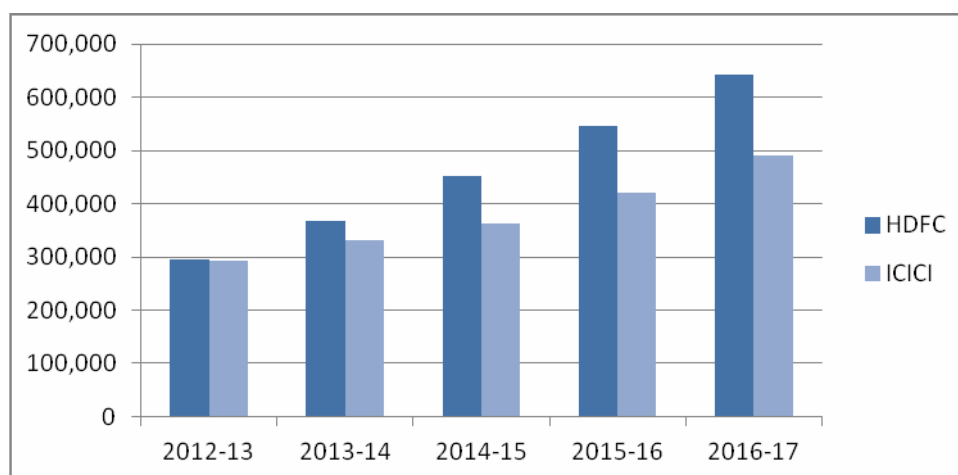


Table 8 presents that the mean of Deposits of HDFC Bank is higher (Rs. 4,60,889 crores) as compared to mean of deposits of ICICI Bank (Rs. 3,79,511 crores). The compound growth rate is higher in HDFC Bank (117.26%) than that in ICICI Bank (67.47%) during the 5 year period (2012-13 to 2016-17). The table also shows the percentage change in deposits over the period of 5 year (2012-13 to 2016-17) for both the banks have been in an increasing order as shown above in the graph. This shows that the average deposits over the 5 years of HDFC Bank are more by Rs. 81,378 crores than ICICI Bank.

The compound growth rate of HDFC Bank shows that its total deposits have grown by 117.26% which is 73.80% higher than ICICI Bank's 67.47%. This shows that HDFC Bank has more deposits from its customers and has also grown much faster than ICICI Bank during the 5 years of study in terms of deposits.

Percentage Change in Advances

Advances are the credit facility granted by the bank. In other words it is the amount borrowed by a person from the Bank. It is also known as Credit granted where the money is disbursed and recovery of which is made later on. Percentage change in advances aims to identify the growth pattern of the advances of the organisation.

Table 9: Percentage Change in Advances (In Crores)

YEAR	HDFC		ICICI	
	ADVANCES	% CHANGE	ADVANCES	% CHANGE
2012-13	2,39,721		2,90,249	
2013-14	3,03,000	26.40	3,38,703	16.69
2014-15	3,65,495	20.63	3,87,522	14.41
2015-16	4,64,594	27.11	4,35,264	12.32
2016-17	5,54,568	19.37	4,64,232	6.66
MEAN	3,85,476		3,83,194	
CGR	131.34		59.94	

Figure 9: Total Advances of HDFC and ICICI Bank

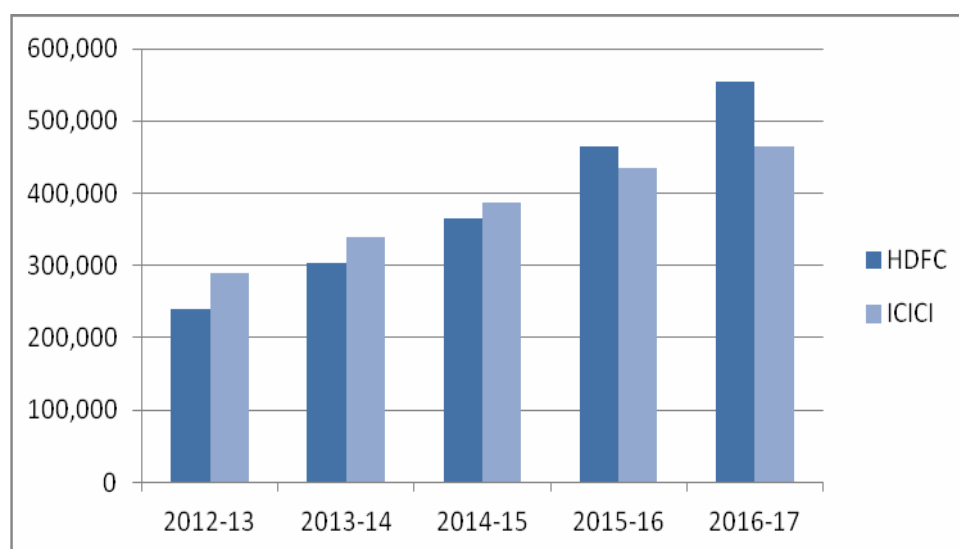


Table 9 presents that the mean of Advances of HDFC Bank is higher (Rs. 3,85,476 crores) as compared to the mean of Advances of ICICI Bank (Rs. 3,83,194 crores). The compound growth rate is also higher in HDFC Bank (131.34%) than in ICICI Bank (59.94%). The table also shows the percentage change in advances over the period of 5 year (2012-13 to 2016-17) for

both the banks have been in an increasing order as shown above in the graph. However, HDFC Bank's growth in advances has been rapid, and has exceeded that of ICICI Bank's by Rs. 29,330 crores in the year 2015-16 and Rs. 90,336 crores in 2016-17 as shown in the graph. The table shows that the average advance over the 5 years of HDFC Bank is more by Rs. 2,282 crores than ICICI Bank. The compound growth rate of HDFC Bank shows that its total advances have grown by 131.34% which is 71.40% higher than ICICI Bank's 59.94%. This shows that HDFC Bank lends more advances to its customers and has also grown much faster than ICICI Bank during the 5 years of study in terms of advances.

Findings and Conclusions

- The study found that the mean of credit deposit ratio in ICICI was higher (101.69%) than in HDFC (82.50%) and the compound growth rate is 6.86% for HDFC bank and -0.56% for ICICI bank. this shows that HDFC bank has increased its loan assets from its deposits at a faster growth rate as compared to ICICI bank. however, ICICI bank has a larger loan assets from its deposits compared to HDFC bank.
- The mean of interest expensed over interest earned for HDFC Bank was 54.03% and the mean value for ICICI Bank was 61.79%. The compound growth rate of HDFC Bank Was -4.97% and of ICICI bank was -8.47%. This shows that the share of interest expended to interest earned was higher in the case of ICICI Bank As compared to HDFC Bank, which shows that people prefer to invest their savings and take loans and advances from HDFC Bank than ICICI Bank.
- The average net profit margin of HDFC Bank is 20.45% which is the same for ICICI Bank. Thus, HDFC Bank and ICICI Bank have shown comparatively similarity operational efficiency. However, HDFC bank seems to be doing better as its compound growth rate is 9.44% and that of ICICI Bank is - 12.90%.
- The mean of return on equity of HDFC Bank is higher at 17.54% than ICICI Bank which is 12.21%. The compound growth rate of HDFC Bank is higher at -12.44% than ICICI Bank which is -18.99%. Thus, HDFC Bank has utilised its resources more efficiently as compared to ICICI Bank.
- The Compound Growth Rate HDFC Bank is 116.31% and of ICICI Bank is 17.72% over the 5 year period in study. This shows that HDFC bank has performed better when compared to ICICI bank in terms of profitability over the 5 years of study.
- The mean value of income over the 5 years of HDFC bank is less by Rs. 1,001 Crores than ICICI Bank. However, the compound growth rate of HDFC Bank shows that its total income has grown by 94.67% which is 81.63% higher than ICICI Bank's 52.12%. This means that even though ICICI Bank's Total Income is more, HDFC Bank's growth in income has been rapid, and has exceeded that of ICICI Bank's By Rs. 2,911 crores in the year 2015-16 And Rs. 7,941 Crores in 2016-17.
- The mean value expenditure over the 5 years of HDFC Bank is less by Rs. 1,686

Crores than ICICI Bank. However, the Compound Growth Rate Of HDFC Bank shows that its Total Expenditure has grown by 90.54% which is 52.76% higher than ICICI Bank's 59.27%.

- This means that even though ICICI Bank's Total Expenditure is more, HDFC Bank's growth in expenditure has been rapid, and has exceeded that of ICICI Bank's By Rs. 341 Crores in the year 2015-16 and Rs. 3,193 Crores in 2016-17.
- The mean value of deposits over the 5 years of HDFC Bank is more by Rs. 81,378 Crores than ICICI Bank. The Compound Growth Rate of HDFC Bank shows that its total deposits have grown by 117.26% which is 73.80% higher than ICICI Bank's 67.47%. This shows that HDFC Bank has more deposits from its customers and has also grown much faster than ICICI Bank during the 5 Years of Study in terms of deposits.
- The mean value of advances over the 5 years of HDFC Bank is more by Rs. 2,282 Crores than ICICI Bank. The Compound Growth Rate of HDFC Bank shows that its total advances have grown by 131.34% which is 71.40% higher than ICICI Bank's 59.94%. This shows that HDFC bank lends more advances to its customers and has also grown much faster than ICICI Bank during the 5 years of study in terms of advances.

Hence, on the basis of the above study and analysis it is shown that banking customer has more preference and trust on HDFC Bank compared to ICICI Bank in the public sector banks in India.

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